

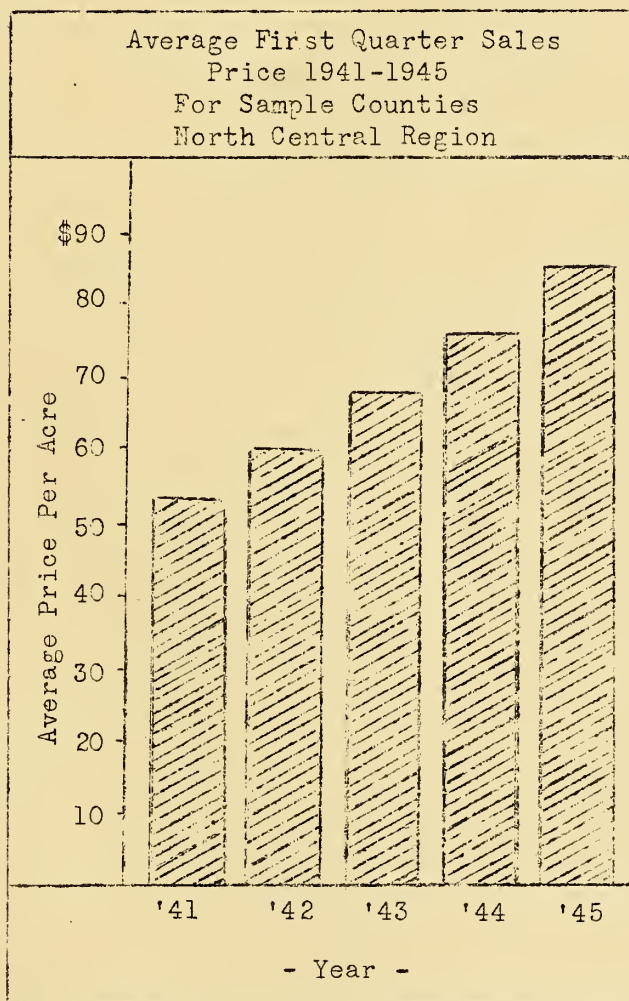
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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

WARTIME LAND MARKET SURVEY IN THE
NORTH CENTRAL REGION

First Quarter 1945



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May 1945



SUMMARY

Volume: The present quarter is the fourth successive quarter that the number of land transfers has been below comparable quarters of the preceding year. There are 30 percent fewer transfers in the current quarter than in the same quarter of last year.

Purchasers: Farmers purchased 68 percent of all the tracts in the current quarter as compared to 64 percent last quarter and 74 percent a year ago. Tenants purchased 43 percent of the tracts bought by farmers or 29 percent of the total tracts transferred.

Sellers: There has been a slight rise in estate sales from 11 percent a year ago to 15 percent in the current quarter. Corporation and government sales account for 9 percent of the transfers. This is the same proportion as last quarter and represents a low point for these sales as compared with 13 percent last year and 16 percent two years ago.

Prices: The average selling price of land has risen to a new high of \$85 per acre -- 12 percent above prices of a year ago and 60 percent above first quarter 1941. The highest reported selling price for an operating unit was \$325 per acre for 160 acres in Livingston County, Illinois.

Buyer's Equity: Fifty-five percent of the tracts purchased have been paid for in cash. Only the third and fourth quarters of last year had a higher proportion of cash sales. Along with the increase in cash purchases, buyers have increased their equity in financed purchases. Buyers who have financed current quarter purchases by mortgages retain a 44 percent equity. This is higher than any previous quarter and compares with 42 percent last quarter and in the first quarter of last year.

Mortgage Financing: Twenty-eight percent of the transfers financed by new mortgages have been financed by a purchase money mortgage as compared to 39 percent in the first quarter of 1943 and 32 percent in the first quarter of last year. The decline in purchase money mortgages has been met by a higher proportion of loans by all of the established lending agencies. There appears to be some decline in the loan rate on new mortgages. For the first time more than half the loans have an interest rate of $4\frac{1}{2}$ percent or less.

Resales: The proportion of tracts resold within a year decreased from a peak of 12.9 percent in the third quarter of 1944 to 7.3 percent in the fourth quarter. The gross profit on these quick resales also declined from a third quarter 1944 high of 28.3 percent to 18.9 percent.

Outlook: The closing of the war in Europe is not expected to have any depressive effect upon the land market during the immediate future. A declining volume of transfers at continued rising prices is creating a strong sellers market with little to expect, but a further rise in land prices.

WARTIME LAND MARKET SURVEY 1/

First Quarter, 1945 2/

Introduction

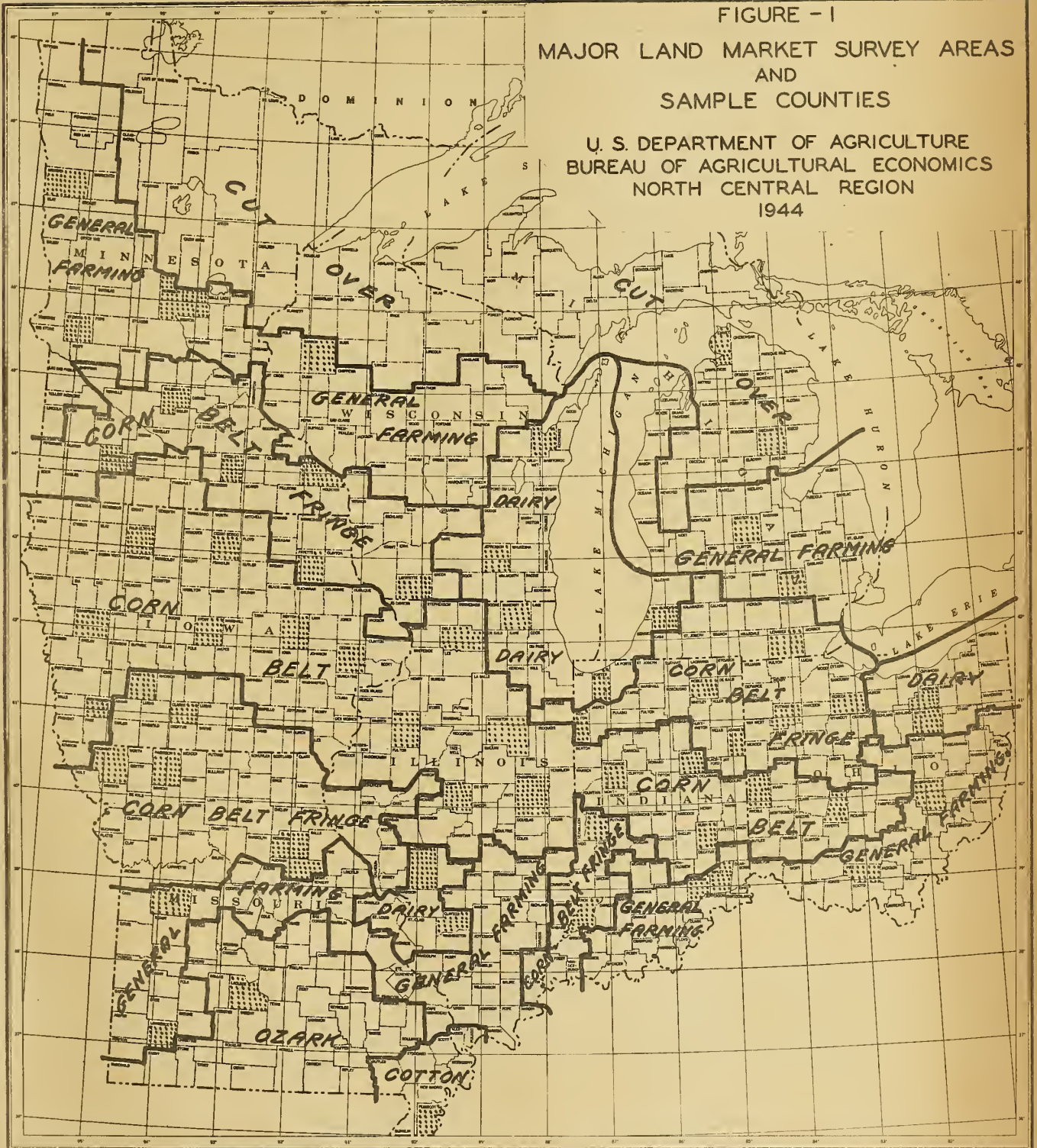
In viewing the present land market situation, some are inclined to believe that land prices are already too high while others think that land prices have not yet reached unwarranted levels. The rise in land prices has been gradual and uniform but almost as great as during World War I.

Land values in the United States have now advanced at an average rate of 1 percent a month for 4 years. The rise for the 1941-45 period is 85 percent as great as the increase for the four-year period 1916-20. 3/ The uncertainty of future prices, production and costs makes it impossible to say definitely whether current land prices are too high. However, prospective buyers and especially those persons who plan to purchase land with borrowed funds should carefully weigh their prospects for receiving a future dollars and cents income from their land that will justify land investments at current prices.

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- 1/ Assistance in collecting and tabulating the data for this survey was provided by members of the Departments of Agricultural Economics in Illinois, Indiana, Iowa, Missouri, Minnesota, Michigan and Ohio, and by members of the B.A.E. staff.
- 2/ This report is the thirteenth in a series presenting current information on farm real estate activity in selected counties in the North Central Region. The data include only voluntary sales and were obtained from deed and mortgage records in local county recorders' offices. The information on buyers and sellers was obtained primarily from mail questionnaires and was supplemented in some counties by information from local people. A list of sample counties is given in the Appendix.
- 3/ "Current Developments in the Farm Real Estate Market", USDA, BAE. March, 1945.

FIGURE - I
MAJOR LAND MARKET SURVEY AREAS
AND
SAMPLE COUNTIES

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NORTH CENTRAL REGION
1944





VOLUME

The seasonal trend in the number of transfers show the usual increase over the latter quarters of last year. However, the volume of transfers in the current quarter is less than the first quarter of either 1943 or 1944 and is the fourth successive quarter that the volume of transfers has been less than the preceding year (Table 1).

TABLE 1. Average Number of Land Transfers
per County.

Year	Quarter			
	First	Second	Third	Fourth
1941	47	34	34	43
1942	47	30	24	32
1943	55	51	39	46
1944	77	47	34	42
1945	54			

There are 30 percent fewer transfers in the present quarter than a year ago. A partial explanation may lie in the fact that the first quarter of last year was an exceedingly heavy quarter. However, it is important to note that despite the drop from the peak volume of the first quarter of 1944, the current level of market activity is still high relative to pre-war years.

In only two areas - the Cotton Area and Southeastern Indiana - is the current quarter volume of sales larger than the first quarter of last year. The greatest decline in volume occurred in the General Farming Areas and the Corn Belt Fringe Areas (Table 2).

The volume of sales in most areas is about equal to the first quarter of 1943.

PURCHASERS

Farmers purchased 68 percent of all the tracts sold in the current quarter, as compared to 64 percent last quarter and 74 percent a year ago (Table 3). A slightly higher proportion of these buyers plan to rent out the land they purchased than was the case a year ago.

TABLE 2. Average Number of Farm Real Estate Sales per sample county,
First Quarter 1941-1945 - North Central Region 1/

Area <u>2/</u>	: No. of : sample : Counties : for 1945	First Quarter				
		: 1941 <u>3/</u>	: 1942	: 1943	: 1944	: 1945
----- Number -----						
<u>CORN BELT AREAS</u>	17	50	43	54	70	54
Central Indiana-Ohio	5	44	39	66	62	49
Illinois-Indiana Cash Grain	3	30	41	48	45	39
Illinois-Iowa Livestock	3	56	47	53	74	61
Central and Northern Iowa	4	66	45	49	80	55
Western Iowa	2	34	40	62	86	70
<u>DAIRY AREAS</u>	9	43	45	45	68	49
Northeastern Ohio	2	43	50	54	89	34
Lake Michigan	5	50	49	46	68	57
East St. Louis	2	19	22	31	43	41
<u>CORN BELT FRINGE AREAS</u>	20	47	50	54	87	57
Toledo General Farming	4	54	54	63	90	73
Kankakee River	2	41	39	36	34	32
Lower Wabash River	2	28	29	50	69	48
Missouri Putnam Soils	2	58	58	60	98	73
Iowa-Missouri Pasture	2	81	66	86	99	65
Maryville-Greenfield Livestock	2	62	95	97	156	108
Southern Minnesota	3	23	24	18	69	32
LaCrosse-Dubuque Livestock	3	37	40	41	75	34
<u>GENERAL FARMING AREAS</u>	12	41	48	50	77	48
Southeastern Ohio	2	46	33	40	50	45
Southeastern Indiana	2	60	34	45	74	76
Southwestern Missouri Plains	2	69	47	90	123	76
Central Minnesota-Wisconsin	2	37	66	54	96	49
Red River Valley	2	19	22	20	26	18
Central and Western Michigan	2	45	52	52	82	54
<u>CUTOVER AND OZARK AREAS</u>	3	59	59	108	78	68
Michigan Cutover	2	21	21	17	30	16
Missouri Ozark	1	71	71	137	93	84
<u>MISSOURI-ILLINOIS COTTON AREA</u>	1	58	34	15	30	35
REGIONAL AVERAGE (Total)	62	47	47	55	77	54

1/ Deeds dated and recorded within the same quarter for 1942. The 1943 and 1945 numbers include in addition deeds dated in the preceding month but recorded in each quarter. The names of sample counties are given in the Appendix.

2/ Areas and sub-areas are given weights in averages according to the amount of land in farms. Regional and area figures will be changed somewhat from previous reports due to the addition of new areas.

3/ Based on 33 sample counties. The number of transfers for areas in which 1941 data were not available was calculated on the basis of the 1941-1942 ratio in areas for which data were available. This ratio was applied to the 1942 figures in those areas for which 1941 data were not available.

TABLE 3. Distribution of Farm Land Purchases by Occupation and Intent of Purchaser

Year	Farmers		Non-Farmers	
	: To lease		: To lease	
	To operate	to others	To operate	to others
	- - - - - Percent - - - - -			
1943				
1st Quarter	60	7	8	25
2nd Quarter	54	7	10	29
3rd Quarter	48	7	11	34
4th Quarter	62	10	10	18
1944				
1st Quarter	66	8	11	15
2nd Quarter	61	7	11	21
3rd Quarter	57	8	14	21
4th Quarter	58	6	16	20
1945				
1st Quarter	60	8	11	21

Tenants purchased 43 percent of the tracts bought by farmers or 29 percent of all tracts transferred. This is the same proportion of total transfers as last quarter, but is somewhat lower than the first and second quarters of last year.

Although there is a larger percentage of non-farmer buyers than last year, a smaller proportion of these buyers have indicated they intend to operate the land purchased.

Purchases by farmers were heaviest in the Corn Belt Fringe Areas, and lowest in the Dairy Areas and the Cutover and Ozark Areas (Table 4). As usual, these two areas produced the largest proportion of non-farmer buyers who have intentions of operating the land.

Almost three-fourths of the non-farmers who purchased land in the Cutover and Ozark Areas intend to operate the land purchased. Slightly over half of these buyers in the Dairy Areas have the similar intentions. A somewhat higher proportion of the farmer buyers in the Corn Belt Areas, than in other areas, plan to rent out the land purchased.

TABLE 4. Farmers and non-farmers buying farms and their intentions to operate or lease to others, first quarter 1945, North Central Region

Area	: Total : Farmers : Non-Farmers				
	:Transfers : To :To lease : To :To lease				
	:Classified:operate:to others:operate:to others				
	(Number)	Percent			
<u>CORN BELT AREAS</u>	496	55	11	5	29
Central Indiana-Ohio	187	61	8	11	20
Illinois-Indiana Cash Grain	69	42	13	1	44
Illinois-Iowa Livestock	59	56	10	3	31
Central and Northern Iowa	119	55	15	6	24
Western Iowa	62	65	3	3	29
<u>DAIRY AREAS</u>	186	50	7	22	21
Northeastern Ohio	10	50	10	20	20
Lake Michigan	127	52	5	26	17
East St. Louis	49	45	12	10	33
<u>CORN BELT FRINGE AREAS</u>	563	63	10	8	19
Toledo General Farming	132	49	9	14	28
Kankakee River	53	62	17	6	15
Lower Wabash River	46	63	4	2	31
Missouri Putnam Soils	88	68	8	7	17
Iowa-Missouri Pasture	65	66	11	6	17
Maryville-Greenfield Livestock	100	73	6	7	14
Southern Minnesota	53	60	15	4	21
LaCrosse-Dubuque Livestock	26	73	4	11	12
<u>GENERAL FARMING AREAS</u>	284	68	3	14	15
Southeastern Ohio	56	55	0	13	32
Southeastern Indiana	88	36	7	24	33
Southwestern Missouri Plains	53	70	4	15	11
Central Minnesota-Wisconsin	54	72	6	11	11
Red River Valley	7	86	0	14	0
Central and Western Michigan	26	58	4	19	19
<u>CUTOVER AND OZARK AREAS</u>	37	55	2	31	12
Michigan Cutover	5	60	0	40	0
Missouri Ozark	32	53	3	28	16
<u>MISSOURI-ILLINOIS COTTON AREA</u>	31	52	19	3	26
<u>REGIONAL TOTAL</u>	1597	60	8	11	21

SELLERS

Sales by corporations and government organizations account for 9 percent of current quarter transfers (Table 5). This is the same proportion as last quarter, which was the low point for these sales and compares with 16 percent two years ago and 13 percent last year. Two areas - the Dairy Areas and the Cotton Area - have a higher proportion of corporation sales than a year ago, while the remaining areas have experienced about a uniform reduction in these sales.

Seventy-six percent of the tracts transferred in the current quarter were sold by individuals. Sales by individuals were heaviest in the Cutover and Ozark Areas. Here almost 90 percent of the sales were by individuals. Sales by individuals were lightest in the Corn Belt Areas and the Cotton Area.

By adjusting for the unclassified individuals, it is found that about 30 percent of the tracts have been sold by owner operators or slightly less than a year ago, but slightly more than last quarter.

Sales by estates have risen from 11 percent a year ago to 15 percent in the current quarter, but only slightly above last quarter. Estate sales continue to be considerably heavier in the Corn Belt Areas.

Fifty-seven percent of the owner operators who sold land in the current quarter plan to continue farming (Table 6). This is the same proportion as a year ago, but is slightly less than the 54 percent who reported such intentions last quarter.

TABLE 6. Intention of Owner-Operators who recently sold land, sample counties, first quarter, 1945. North Central Region.

Area	Total Transfers Classified (Number)	Intent of owner-operators after selling land			
		Continue to Farm	Other Occupations	In Armed Forces	Retire
		Percent			
Corn Belt Areas	131	60	6	1	33
Dairy Areas	76	46	1	0	53
Corn Belt Fringe Areas	166	50	11	0	39
General Farming Areas	83	60	11	0	29
Cutover and Ozark Areas	19	79	10	0	11
Cotton Area	16	75	19	0	6
REGION	491	57	9	0	34

TABLE 5. Types of Owners selling farms, first quarter, 1945
North Central Region

Area	:	:	Type of Seller			
			:	:	:	:
	Total	Owner	Land-	Unclas-	Estates	Corpor-
	transfers	oper-	lord	sified	and	ations
	:	ator	:	individ-	:	Govt.
	(Number)			Per cent		
<u>CORN BELT AREAS</u>	862	17	28	27	20	8
Central Indiana-Ohio	246	35	37	9	17	2
Illinois-Indiana Cash Grain	117	13	28	25	32	2
Illinois-Iowa Livestock	141	11	21	44	19	5
Central and Northern Iowa	219	15	24	32	15	14
Western Iowa	139	11	32	21	19	17
<u>DAIRY AREAS</u>	367	23	22	39	9	7
Northeastern Ohio	28	28	0	61	11	0
Lake Michigan	258	24	24	35	8	9
East St. Louis	81	13	43	27	11	6
<u>CORN BELT FRINGE AREAS</u>	1088	19	25	30	15	11
Toledo General Farming	291	17	23	45	13	2
Kankakee River	63	33	37	10	14	6
Lower Wabash River	95	19	24	34	17	6
Missouri Putnam Soils	145	21	28	23	16	12
Iowa-Missouri Pasture	130	14	22	37	8	19
Maryville-Greenfield Livestock	215	10	21	34	14	21
Southern Minnesota	95	24	31	23	17	5
LaCrosse-Dubuque Livestock	54	17	18	30	18	17
<u>GENERAL FARMING AREAS</u>	558	14	31	34	13	8
Southeastern Ohio	89	17	35	31	16	1
Southeastern Indiana	152	25	40	20	14	1
Southwestern Missouri Plains	151	11	23	54	10	2
Central-Minnesota-Wisconsin	73	21	34	23	14	8
Red River Valley	17	6	24	29	18	23
Central and Western Michigan	76	7	30	50	8	5
<u>CUTOVER AND OZARK AREAS</u>	107	18	24	46	6	6
Michigan Cutover	23	17	22	48	13	0
Missouri Ozark	84	18	24	46	4	8
<u>MISSOURI-ILLINOIS COTTON AREA</u>	35	46	23	3	8	20
<u>REGIONAL TOTAL</u>	3017	18	27	31	15	9

Thirty-four percent plan to retire which is slightly above last year. These plans for retirement are most prevalent in the Dairy Areas.

Nine percent, the same proportion as a year ago plan to leave agriculture for other employment. This is a decided drop from 13 percent reporting such intentions last quarter.

PRICES

The average selling price of agricultural land in this region has risen to a new high of \$85 per acre, which marks an almost continuous rise from \$53 per acre at the beginning of this study (Table 7). Present land prices are 12 percent above those of a year ago and 60 percent above first quarter 1941 levels. This percentage rise in first quarter land prices has been strikingly uniform from year to year, not varying more than 1 percent any one year.

TABLE 7. Average Price Per Acre

Year	Quarter				Yearly Average
	First	Second	Third	Fourth	
	Dollars				
1941	53	54	55	59	55
1942	60	58	61	61	59
1943	68	68	73	72	70
1944	76	73	77	78	76
1945	85				

Average land price in each of the major type of farming areas is above the price of a year ago (Table 3). However, there are six sub-areas in which current quarter averages are below the first quarter of last year. For no apparent reason price change from a year ago varied from an increase of 54 percent in the Cotton Area to a decline of 24 percent in the East St. Louis Dairy Area. In no instance are current prices below the first quarter 1943 level.

Although average land prices in the Corn Belt Areas are more than three times as high as those of the General Farming Area, the percentage increase in the Corn Belt Areas over a year ago is almost the same as in the General Farming Areas. The increase in the average first quarter price of land in the Corn Belt Areas from 1944 to 1945 is almost twice as great as the increase from 1943 to 1944, while the current quarter shows less of an increase for the General Farming Areas.

TABLE 8.

Average per acre price of farm real estate
changing ownership in sample counties, by areas,
First Quarter 1941-45 North Central Region 1/

Area	First Quarter					Pct. change
						1st quarter
	1941	1942	1943	1944	1945	'45 over 1st quarter '44.
	Dollars					(Percent)
<u>CORN BELT AREAS</u>	84	97	112	121	139	+15
Central Indiana-Ohio	82	88	98	114	133	+17
Illinois-Indiana Cash Grain	116	138	144	157	203	+29
Illinois-Iowa Livestock	82	91	106	114	133	+17
Central and Northern Iowa	76	93	118	120	126	+ 5
Western Iowa	62	64	79	89	99	+11
<u>DAIRY AREAS</u>	69	68	83	95	96	+ 1
Northeastern Ohio	61	81	80	95	117	+23
Lake Michigan	76	68	92	99	98	- 1
East St. Louis	53	54	57	79	60	-24
<u>CORN BELT FRINGE AREAS</u>	45	52	61	70	73	+ 4
Toledo General Farming	59	78	92	96	109	+14
Kankakee River	54	54	70	62	90	+45
Lower Wabash River	37	42	49	66	64	- 3
Missouri Putnam Soils	24	22	30	30	35	+17
Iowa-Missouri Pasture	27	32	32	51	48	- 6
Maryville-Greenfield Livestock	49	52	55	65	63	- 3
Southern Minnesota	50	58	75	87	92	+ 6
LaCrosse-Dubuque Livestock	43	50	52	65	70	+ 8
<u>GENERAL FARMING AREAS</u>	29	33	33	38	44	+16
Southeastern Ohio	25	31	29	36	31	-14
Southeastern Indiana	31	23	33	30	36	+20
Southwestern Missouri Plains	24	24	30	35	40	+14
Central Minnesota-Wisconsin	21	21	24	29	36	+24
Red River Valley	25	26	26	32	36	+13
Central and Western Michigan	53	56	58	62	82	+32
<u>CUTOVER-CLARK AREAS</u>	14	16	18	18	23	+28
Michigan Cutover	20	23	18	20	21	+ 5
Missouri Ozark	12	14	18	17	24	+41
<u>MISSOURI-ILLINOIS COTTON AREA</u>	63	84	94	103	159	+54
<u>REGIONAL AVERAGE</u>	53	60	68	76	85	+12

1/ Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943, 1944, and 1945 prices generally represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month.

2/ Based on 33 sample counties. Land prices in areas for which 1941 data were not available were calculated on the basis of the 1941-42 ratio in areas for which data were available. This ratio was applied to the 1942 figures in those areas for which 1941 data were not available.

Among the highest selling prices reported this quarter for operating units were: 160 acres in Livingston County, Illinois at \$325 per acre; 160 acres in Champaign County, Illinois at \$320 per acre; 80 acres in Knox County, Illinois at \$315 per acre.

Forty-five percent of the tracts purchased in the current quarter have been financed (Table 9). This is considerably below the first quarter of any previous year. The data indicates that there were definitely a higher proportion of cash sales in 1944 than in 1942 and the current quarter figure indicates that this trend may be continuing. Only the third and fourth quarters of last year have a smaller proportion of credit financed sales.

Year	Quarter			
	First	Second	Third	Fourth
1942	63	65	52	53
1943	60	52	48	48
1944	53	46	41	44
1945	45			

The greatest increase in cash sales has occurred in the General Farming Areas where the proportion of cash sales have risen from 56 percent a year ago to 68 percent in the current quarter. No types-of-farming area has experienced a decline in the proportion of cash sales from the first quarter of last year.

Along with the increase in cash purchases, buyers have increased their equity in credit financed purchases. Buyers who have made credit financed purchases in the current quarter retain a 44 percent equity, which is higher than any previous quarter and compares with 42 percent last quarter as well as the first quarter of last year.

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TABLE 10. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties North Central Region, First Quarter, 1945.

Area	Method of Financing				Buyer's equity	
	Total	Cash		Purchase	In mort- : In all	
		and			gaged	proper-
		Cash	Mort-			
	Transfers	sales	gage	tracts	ties 1/	deeded
	(Number)			Percent		
<u>CORN BELT AREAS</u>						
	862	47	52	1	50	71
Central Indiana-Ohio	246	45	55	0	49	72
Illinois-Indiana Cash Grain	117	74	26	0	55	88
Illinois-Iowa Livestock	141	38	62	0	52	66
Central & Northern Iowa	219	41	58	1	48	65
Western Iowa	139	42	56	2	46	66
<u>DAIRY AREAS</u>						
	367	55	44	1	43	67
Northeastern Ohio	28	68	32	0	49	82
Lake Michigan	258	51	48	1	40	61
East St. Louis	81	56	44	0	44	68
<u>CORN BELT FRINGE AREAS</u>						
	1088	47	52	1	42	64
Toledo General Farming	291	51	49	0	47	70
Kankakee River	63	41	59	0	54	71
Lower Wabash River	95	66	34	0	47	72
Missouri Putnam Soils	145	52	48	0	40	67
Iowa-Missouri Pasture	130	42	58	0	38	58
Maryville-Greenfield Livestock	215	53	37	5	37	67
Southern Minnesota	95	37	63	0	45	59
LaCrosse-Dubuque Livestock	54	43	57	0	34	55
<u>GENERAL FARMING AREAS</u>						
	558	68	32	0	40	78
Southeastern Ohio	89	62	38	0	41	69
Southeastern Indiana	152	50	50	0	47	67
Southwestern Missouri Plains	151	62	38	0	39	72
Central Minnesota-Wisconsin	73	70	30	0	34	76
Red River Valley	17	88	12	0	44	94
Central & Western Michigan	76	59	41	0	46	79
<u>CUTOVER AND OZARK AREAS</u>						
	107	74	26	0	47	80
Michigan Cutover	23	96	4	0	73	95
Missouri Ozark	84	67	33	0	39	75
<u>MISSOURI-ILLINOIS COTTON AREA</u>						
	35	40	60	0	37	56
<u>REGIONAL TOTAL</u>	3017	55	44	1	44	71

1/ Includes purchase contracts.

The greatest equity in credit financed purchases was retained by buyers in the Corn Belt Areas, which is one of the areas having a high proportion of credit financed sales.

The increase in equity is barely keeping pace with the rise in land prices. The average dollar debt per acre on credit financed purchases this quarter, in all of the principal type-of-farming areas except the Dairy Areas, is above the dollar debt of a year ago (Table 11). The average dollar debt per acre varies from \$26 per acre in the General Farming Areas to \$65 per acre in the Corn Belt Areas.

TABLE 11. Per acre indebtedness of total purchases and mortgage financed purchases in the primary types of farming areas, by quarters - 1943-45. North Central Region

	: Corn Belt Areas:		Dairy Areas		: Corn Belt Fringe:		General Farming	
	:		:		Areas		Areas	
:Year	:All Pur:	Mtg.Fin.:	All Pur:	Mtg.Fin.:	All Pur.:	Mtg.Fin.:	All Pur.:	Mtg.Fin.:
	-Dollars-							
: 1943								
: 1st Quar.	41	60	28	50	22	32	12	20
: 2nd Quar.	42	59	27	53	19	34	11	20
: 3rd Quar.	33	56	28	55	20	37	9	20
: 4th Quar.	36	60	26	53	20	37	11	21
: 1944								
: 1st Quar.	43	62	31	56	23	38	13	25
: 2nd Quar.	39	61	29	51	23	41	12	26
: 3rd Quar.	29	64	23	48	20	39	11	24
: 4th Quar.	39	65	28	59	22	39	12	25
: 1945								
: 1st Quar.	38	65	30	53	23	41	11	26

MORTGAGE FINANCING

The importance of purchase money mortgages as a source of credit for financing land purchases is declining. Only 28 percent of the current quarter transfers financed by new mortgages were financed by a purchase money mortgage (Table 12). This compares with 39 percent in the first quarter of 1943 and 32 percent a year ago.

There has been little change in the proportion of other new mortgages accepted by individuals, but the decline in purchase money mortgages has been met by a higher proportion of loans by established lending agencies. The proportion of other new mortgages by government agencies,

TABLE 12. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, first quarter 1945, North Central Region 1/

Area	Purchase :		Other new mortgages by			
	money :	Individ- :	FLB, :	Insur- :	Com- :	
	mortgages :	uals :	LBC :	ance :	mercial :	
	<u>2/</u> :		& FSA :	Co. :	banks :	Other
	:	:	:	:	:	:
----- Percentages -----						
<u>CORN BELT AREAS</u>	25	13	6	26	23	7
Central Indiana-Ohio	12	15	4	8	44	17
Illinois-Indiana Cash Grain	11	14	7	53	4	11
Illinois-Iowa Livestock	29	15	7	20	29	0
Central & Northern Iowa	32	11	8	24	21	4
Western Iowa	39	10	3	31	17	0
<u>DAIRY AREAS</u>	31	21	5	4	34	5
Northeastern Ohio	25	0	0	0	75	0
Lake Michigan	37	32	5	4	19	3
East St. Louis	17	9	9	9	38	18
<u>CORN BELT FRINGE AREAS</u>	33	17	12	10	25	3
Toledo General Farming	16	17	2	6	57	2
Kankakee River	18	11	7	21	36	7
Lower Wabash River	36	12	0	4	48	0
Missouri-Putnam Soils	31	37	18	2	10	2
Iowa-Missouri Pasture	43	11	16	7	10	13
Maryville-Greenfield Livestock	50	18	13	10	9	0
Southern Minnesota	25	24	13	16	22	0
LaCrosse-Dubuque Livestock	45	11	26	11	7	0
<u>GENERAL FARMING AREAS</u>	30	20	11	0	30	9
Southeastern Ohio	24	20	3	0	3	50
Southeastern Indiana	16	9	4	0	62	9
Southwestern Missouri Plains	20	34	10	0	34	2
Central Minnesota-Wisconsin	32	16	5	0	47	0
Red River Valley	50	0	50	0	0	0
Central & Western Michigan	24	35	0	0	41	0
<u>CUTOVER AND OZARK AREAS</u>	14	37	7	0	29	13
Michigan Cutover	0	100	0	0	0	0
Missouri Ozark	18	17	9	0	39	17
<u>MISSOURI-ILLINOIS COTTON AREA</u>	44	6	6	6	11	27
<u>REGIONAL TOTAL</u>	28	18	9	11	27	7

1/ Percentages of total number of new mortgages on tracts conveyed.

2/ Includes contracts.

insurance companies, commercial banks and other loan agencies are all above the first quarter of last year.

Insurance companies as usual restricted their loans to the better farming areas. In the Corn Belt Areas insurance companies financed more purchases than any other credit source. In most of the other areas banks provided the bulk of the credit for new loans. Government loans were relatively less important in the better land areas than in the poorer land areas.

There appears to be some decline in the loan rate on new mortgages. The most common loan rate on new mortgages in the present quarter is 4 percent, (Table 13). Five percent was the most common loan rate in each quarter of last year. For the first time more than half the loans have an interest rate of 4 1/2 percent or less. Slightly over half the mortgage loans by commercial banks carry an interest rate of more than 4 1/2 percent. 1/

TABLE 13. Proportion of new farm land mortgages made at various interest rates, by type of lender, 21 sample counties, First Quarter, 1945, North Central Region.

Type of Lender	Total Cases (Number)	Percent of total loans of each type of lender by interest rates								
		2%:	3% :	3½% :	4% :	4½% :	5%::	6% :	7% :	8%
		Percent								
Individual	136	0	7	2	34	8	35	14	0	0
Commercial Banks	155	0	0	0	42	6	37	15	0	0
Insurance Companies	37	0	0	0	81	14	5	0	0	0
FLB and LBC	47	0	0	0	53	4	43	0	0	0
Others	37	0	13	0	5	14	49	19	0	0
TOTAL	412	0	3	1	41	8	35	12	0	0
Interest rate not given	127									
GRAND TOTAL	539									

Forty-seven percent of the new mortgage loans have a maturity date of 5 years or less (Table 14). Seventy-one percent must be repaid or refinanced within the next ten years. These figures are only slightly below those of a year ago.

1/ Sample counties used in the study of mortgage terms are Logan and Knox, Illinois; Adams, Knox, Porter, Newton, Noble, Grant and Tippecanoe, Indiana; Clarke, Palo Alto and Story, Iowa; Medina, Seneca, Darke, Madison and Muskingum, Ohio; Monroe, Missouri; Lenawee and Van Buren, Michigan; and Cottonwood, Minnesota.

TABLE 14. Proportion of new farm mortgages made for various lengths of time, by type of lender, 21 sample counties, First Quarter, 1945, North Central Region.

Type of Lender	Length of Mortgage						
	1 year	2,3, or 4 years	5 years	6,7,8 years	9 years	10 years	Over 10 years
	(Number)	Percent	Percent	Percent	Percent	Percent	Percent
Individuals	124	16	16	40	10	15	3
Commercial Banks	170	11	6	44	8	22	9
Insurance Companies	71	2	0	3	4	18	73
FLB and LBC	47	0	0	0	0	2	98
Other	16	6	6	31	0	13	44
TOTAL	428	9	7	31	7	17	29
Length of Mortgage not given	111						
GRAND TOTAL	539						

With a heavier average debt per acre being acquired, a heavier repayment responsibility is being assumed. Loans by individuals have the earliest average maturity date. Almost 3/4 of the loans from individuals must be repaid within 5 years.

Forty-one percent of the mortgages on credit financed purchases this quarter may be fully repaid on an amortized payment basis and an additional 31 percent can reduce their principal through installment payments before maturity (Table 15). Individuals and commercial banks are least liberal with amortized payment privileges.

TABLE 15. Arrangements for repayment of principal included in new farm mortgages, by type of lender, 21 sample counties, First Quarter, 1945, North Central Region.

Type of Lender	Percent of total mortgages			
	Total Cases	Fully Amortized	Partially Amortized	Not Amortized
	(Number)	Percent	Percent	Percent
Individuals	116	28	32	40
Commercial Banks	164	28	36	36
Insurance Companies	75	39	45	16
FLB and LBC	47	100	0	0
Other	36	75	14	11
TOTAL	438	41	31	28
Method of repayment not given	101			
GRAND TOTAL	539			

RESALES

The proportion of tracts resold within a year has decreased from the peak of 12.9 percent in the third quarter of 1944 to 7.3 percent in the fourth quarter (Fig.2). Also, the gross profit on these quick resales has dropped from a high of 28.3 percent to 18.9 percent ^{1/}. In only one quarter has the proportion of these quick resales exceeded 10 percent of the total sales.

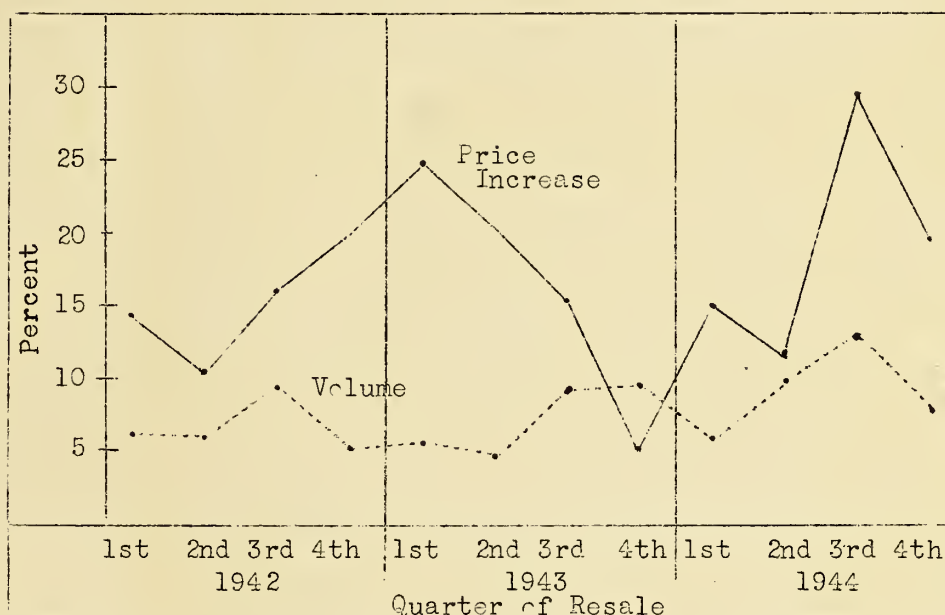


FIGURE 2. Percent of total quarterly sales resold within a year, and the average percent increase in price, by quarter of resale. ^{2/}

The proportion of tracts resold within two years accounts for slightly over 12 percent of the fourth quarter transfers (Table 16). A higher proportion of tracts are resold within six months after purchase than in any of the following six-month periods.

^{1/} See Table 16 for counties used in the study of Resales.

^{2/} Legal descriptions were compared for all farm land transfers in the sample counties to determine which tracts had changed hands more than once. Purchase and sale prices were used in determining the change in price or gross profit to the seller.

TABLE 16. Number and percentage of Fourth Quarter 1944 sales purchased since December 31, 1940, and the percentage change in price by intervals. 1/

State and County	Number of trans- fers	Number of resales by months between purchase: and Resale	Number of trans- fers	Number of resales by months	Over 6, not over 12 months	Over 12, not over 18 months	Over 18, not over 24 months	TOTAL	Ratio of Resales to all Sales	Sales of properties held more than 24 Months	All sales properties chased after December 31, 1940	Ratio to all sales
Knox, Illinois	26	1	0	2	0	0	0	3	11.5%	4	7	26.9%
McHenry, Illinois	25	0	0	2	1	1	1	3	12.0	2	5	20.0
Fayette, Iowa	21	1	1	0	0	0	0	2	9.5	1	3	14.3
Cedar, Iowa	16	1	0	0	0	0	0	1	6.2	1	2	12.5
Audrain, Missouri	41	4	3	2	3	3	3	12	29.2	3	15	36.6
Putnam, Ohio	33	3	0	2	0	0	0	5	15.1	3	8	24.2
Rush, Indiana	25	0	1	0	3	3	3	4	16.0	0	4	16.0
Cottonwood, Minn.	30	1	0	0	0	0	0	1	3.3	3	4	13.3
Steele, Minnesota	23	0	0	0	0	0	0	0	---	1	1	4.3
Jennings, Indiana	66	1	3	2	1	1	1	7	10.6	1	8	12.1
Nodaway, Missouri	32	3	3	0	1	1	1	7	21.9	0	7	21.9
Harrison, Missouri	47	2	2	0	0	0	0	4	8.5	4	8	17.0
Crawford, Iowa	11	0	0	0	0	0	0	0	---	0	0	---
Pemiscot, Missouri	58	1	2	2	1	1	1	6	10.3	5	11	18.9
TOTAL	454	18	15	12	10	10	10	55	12.1%	28	83	18.3%
Percentage change in price		+16.1%	+22.2%	+38.0%	+25.4%					+30.6%	+26.7%	
Third Quarter 1944 TOTAL	311	21	19	7	7	7	7	54	17.4%	10	64	20.6%
Percentage change in price		+42.5%	+13.1%	+28.5%	+26.0%					+48.5%	+30.6%	

1/ It will be noted that the table is based on Fourth Quarter transfers.

OUTLOOK

The closing of the war in Europe is not expected to have any depressive effect upon the land market during the immediate future. "Cutbacks" in industrial production and military releases may add to the bidders for agricultural land.

A declining volume of transfers at continued rising prices is creating a strong sellers market with little to expect but a further rise in land prices for at least the next few quarters. A strong sellers market may give rise to a larger volume of quick resales but probably will not appear in the immediate future.

There appears to be some evidence that the rate of increase in land prices in the better land areas is accelerating and may well continue with favorable prices and growing seasons coupled with a diminished volume of sales. An unfavorable crop year might be expected to have a definite depressive effect on land prices.



APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Areas

Central Indiana-Ohio
Grant Co., Ind.
Rush Co., Ind.
Tippecanoe Co., Ind.
Darke Co., Ohio
Madison Co., Ohio

Illinois-Indiana Cash Grain
Logan Co., Ill.
Champaign Co., Ill.
Livingston Co., Ill.

Illinois-Iowa Livestock
Knox Co., Ill.
*Ogle Co., Ill.
Cedar Co., Iowa

Central & Northern Iowa
Benton Co., Iowa
Cerro Gordo Co., Iowa
Palo Alto Co., Iowa
Story Co., Iowa

Western Iowa
Crawford Co., Iowa
Montgomery Co., Iowa

Dairy Areas

Northeastern Ohio
Medina Co., Ohio
*Wayne Co., Ohio

Lake Michigan
Brown Co., Wis.
Jefferson Co., Wis.
*McHenry Co., Ill.
Porter Co., Ind.
Van Buren Co., Mich.

East St. Louis
Clinton Co., Ill.
Macoupin Co., Ill.

Corn Belt Fringe

Toledo Gen. Farming
Adams Co., Ind.
Putnam Co., Ohio
Seneca Co., Ohio
Lenawee Co., Mich.

Kankakee River
Newton Co., Ind.
Noble Co., Ind.

Lower Wabash
Parke Co., Ind.
Knox Co., Ind.

Missouri-Putnam
Audrain Co., Mo.
Monroe Co., Mo.

Iowa-Missouri Pasture
Clarke Co., Iowa
Harrison Co., Mo.

Maryville-Greenfield
Nodaway Co., Mo.
Adair Co., Iowa

Southern Minnesota
Cottonwood Co., Minn.
McLeod Co., Minn.
Steele Co., Minn.

LaCrosse-Dubuque
Fayette Co., Iowa
*Lafayette Co., Wis.
Winona Co., Minn.

General Farming Areas

Southeastern Ohio
Muskingum Co., Ohio
Pike Co., Ohio

Southeastern Indiana
Jennings Co., Ind.
Ripley Co., Ind.

Southwestern Mo. Plains
Johnson Co., Mo.
Lawrence Co., Mo.

Central Minn.-Wisconsin
Barron Co., Wis.
*Morrison Co., Minn.

Red River Valley
*Stevens Co., Minn.
Norman Co., Minn.

Central & Western Mich.
Livingston Co., Mich.
Gratiot Co., Mich.

Cutover Ozark Areas

Mich. Cutover
(Lower Peninsula)
Emmet Co., Mich.
Ogemaw Co., Mich.

Missouri Ozark
Laclede Co., Mo.

Cotton Area

Pemiscot Co., Mo.

*Omitted this quarter

